

Message Text

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DRAFTED BY NEA/AFN:WSWEISLOGEL

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

INFO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 182532 TOSEC 080271

EXDIS

E.O. 11652: GDS

TAGS: MILI, PFOR, LY, EG

SUBJECT: ACTION MEMORANDUM - SADAT'S VIEWS ON NORTHROP-PAGE
AIR DEFENSE SYSTEM FOR LIBYA (S/S NO.7515602)

REF: TOSEC 080182 STATE 179817

FOR SECRETARY FROM ATHERTON. CAIRO EYES ONLY FOR AMBASSADOR.

S/S PLEASE ALSO PASS TO SAUNDERS

1. PROBLEM: ON 30 JULY WE INFORMED YOU THAT NORTHROP-PAGE
HAD SIGNED CONTRACT WITH LARG FOR FIRST PHASE OF AIR DEFENSE
SYSTEM, ON BASIS DEPARTMENT'S APPROVAL IN JUNE 1974 OF SUCH
CONTRACTUAL ARRANGEMENT. WE RECOMMENDED IN REFTEL THAT
DEPARTMENT NOW WITHDRAW APPROVAL IN LIGHT OF CHANGED
CIRCUMSTANCES DURING INTERVENING YEAR AND FOR OTHER REASONS
OF OVERRIDING NATIONAL INTEREST. YOU INDICATED YOU WANTED
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TO SEEK SADAT'S VIEWS BEFORE MAKING FINAL DECISION. FOL-

LOWING IS CABLE TO AMBASSADOR EILTS FOR YOUR APPROAL REQUESTING HIM TO DISCUSS MATTER WITH SADAT AND INQUIRE WHETHER GOE WOULD OBJECT TO OUR AUTHORIZING NORTHROP TO PROCEED WITH PROJECT AT THIS TIME.

2. BEGIN TEXT: ON JUNE 26, 1974, AFTER ASCERTAINING THAT SADAT HAD NO OBJECTION, DEPARTMENT APPROVED REQUEST BY NORTHROP-PAGE TO ENTER INTO CONTRACT WITH LARG FOR SALE OF \$200 MILLION AIR DEFENSE SYSTEM. THIS WOULD COMPRISE FIXED RADAR NETWORK AND INFORMATION HANDLING EQUIPMENT WITHOUT ARMS. AT THAT TIME WE GAVE NORTHROP LETTER STATING DEPARTMENT APPROVED PROPOSED CONTRACTUAL RELATIONSHIP AND EXPRESSING INTENTION TO ISSUE LICENSES FOR EXPORT OF ITEMS NECESSARY TO CARRY OUT CONTRACT.

3. AFTER YEAR OF NEGOTIATIONS BETWEEN NORTHROP AND LARG, DURING WHICH LIBYANS UNSUCCESSFULLY TRIED TO LINK SIGNING OF CONTRACT WITH NORTHROP TO USG'S RELEASE OF THE EIGHT LARG-OWNED C-130S, FOR WHICH WE ARE WITHHOLDING EXPORT LICENSES, LARG, ON JUNE 24, 1975, CONCLUDED CONTRACT WITH FIRM FOR FIRST PHASE OF AIR DEFENSE SYSTEM IN AMOUNT OF \$16 MILLION. NORTHROP PLANS TO BID ON SECOND AND THIRD PHASES AND BELIEVES IT HAS GOOD CHANCE TO WIN LARGER CONTRACTS IF LIBYANS SATISFIED WITH ITS PERFORMANCE ON FIRST PHASE.

4. SINCE JUNE 1974, THERE HAS BEEN SERIOUS DETERIORATION IN LIBYAN-EGYPTIAN RELATIONS AND INTENSIFICATION OF LARG'S MILITANT OPPOSITION TO MIDDLE EAST PEACE EFFORTS. LARG ALSO CONCLUDED ARMS DEAL WITH SOVIETS ABOUT WHICH GOE HAS EXPRESSED APPREHENSION.

5. UNDER MUNITIONS CONTROL REGULATIONS, DEPARTMENT HAS FIRM LEGAL GROUNDS TO WITHHOLD APPROVAL OF CONTRACT ON BASIS OVERRIDING NATIONAL INTEREST. HOWEVER, THIS WILL BRING COMPLAINTS OF BAD FAITH FROM NORTHROP AND CRITICISM FROM MEMBERS OF CONGRESS WHOSE CONSTITUENTS AFFECTED BY LOSS OF PROFITS AND JOBS. NORTHROP ALSO MAY BE LIABLE TO LARG FOR NONPERFORMANCE.

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6. BEFORE DECIDING WHETHER OR NOT TO WITHDRAW AUTHORIZATION FOR NORTHROP TO PROCEED WITH PROJECT, I WISH TO SOLICIT PRESIDENT SADAT'S VIEWS.

7. ACTION REQUESTED: YOU SHOULD SEEK TO ASCERTAIN SADAT'S VIEWS, USING FOLLOWING TALKING POINTS (IF YOU ARE ABLE TO DO SO BEFORE YOU LEAVE, WE COULD DISCUSS THIS IN BELGRADE):

-- NORTHROP-PAGE HAS INFORMED DEPARTMENT THAT IT SIGNED CONTRACT WITH LARG ON JUNE 24 TO FURNISH FIRST PHASE OF AIR DEFENSE SYSTEM TO LIBYA.

-- THIS IS FIRST PORTION OF THE SAME PROJECT ON WHICH SECRETARY KISSINGER SOUGHT YOUR VIEWS IN JUNE 1974 AND WHICH YOU ADVISED US AT THAT TIME TO GO AHEAD ON. IF WE APPROVE THIS CONTRACT, AND IF LARG IS SATISFIED WITH NORTHROP'S PERFORMANCE, FIRM HAS GOOD CHANCE OF RECEIVING CONTRACTS FOR REST OF SYSTEM WITHIN NEXT 12 TO 18 MONTHS.

-- SYSTEM IN QUESTION WOULD BE A FIXED NETWORK OF RADAR AND INFORMATION HANDLING EQUIPMENT, WOULD BE STRICTLY DEFENSIVE AND WOULD INCLUDE NO RPT NO ARMS.

-- GIVEN LIBYAN BEHAVIOR IN RECENT MONTHS, WE ARE INCLINED TO WITHDRAW OUR APPROVAL OF THIS SALE, BUT BEFORE MAKING DECISION ON WHETHER OR NOT TO ALLOW NORTHROP TO FURNISH THIS SYSTEM TO LIBYA, SECRETARY KISSINGER WANTED ME TO DISCUSS IT WITH YOU. WE WILL WELCOME ANY COMMENTS YOU MAY HAVE ABOUT THE ADVISABILITY OF ALLOWING NORTHROP-PAGE TO PROCEED WITH THE SALE IN QUESTION AT THIS TIME. END TEXT.

8. FYI. IF SADAT RECOMMENDS APPROVAL, AND WE DECIDE TO APPROVE SALE, THIS WOULD LEAD SADAT TO EXPECT APPROVAL FOR SIMILAR PROPOSAL FOR EGYPT. IN LATTER CONNECTION, YOU SHOULD KNOW THAT ITT HAS FORMALLY REQUESTED MUNITIONS CONTROL LICENSE TO DEMONSTRATE A CONCEPT PROPOSAL FOR NON-LETHAL COMPONENTS OF AIR DEFENSE SYSTEM FOR EGYPT.

9. RECOMMENDATION; THAT YOU APPROVE THE ABOVE.
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APPROVE DISAPPROVE

10. FOR CAIRO; YOU SHOULD HOLD OFF ACTION UNTIL SECRETARY'S APPROVAL RECEIVED.

11. FOR S/S: PLEASE ENSURE A COPY OF RESPONSE IS SENT TO CAIRO. INGERSOLL

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